

COLON COMMUNITY SCHOOLS  
FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
JUNE 30, 2008

## Colon Community Schools

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## Colon Community Schools

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Colon Community Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colon Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colon Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colon Community Schools as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

Board of Education  
Colon Community Schools

The administration's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colon Community Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of Colon Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Norman J. Puleo, P.C.*

October 30, 2008

## COLON COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS YEAR ENDED June 30, 2008

This section of Colon Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Colon Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

#### **Basic Financial Statements**

*District-wide Financial Statements*

*Fund Financial Statements*

*Notes to the Basic Financial Statement*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*Other Supplemental Information*

#### **Reporting the School District as a whole - District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## COLON COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED June 30, 2008

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

#### **Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

COLON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I	June 30,	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 1,757,013	\$ 1,687,237
Capital assets - Net of accumulated depreciation	<u>1,236,331</u>	<u>1,283,116</u>
Total assets	2,993,344	2,970,353
Liabilities		
Current liabilities	933,532	918,734
Long-term liabilities	<u>151,010</u>	<u>277,607</u>
Total liabilities	1,084,542	1,196,341
Net Assets		
Invested in property and equipment - net of related debt	969,558	906,756
Unrestricted	<u>939,244</u>	<u>867,256</u>
Total net assets	<u>\$ 1,908,802</u>	<u>\$ 1,774,012</u>



COLON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$1,908,802 at June 30, 2008. Capital assets, net of related debt totaling \$969,558 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$939,244 was unrestricted.

The \$939,244 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007.

TABLE 2

	June 30,	
	2008	2007
Revenue		
Program revenue:		
Charges for services	\$ 245,792	\$ 237,507
Grants and catagoricals	852,441	832,013
General revenue:		
Property taxes	805,486	746,307
State foundation allowance	4,712,930	4,789,000
Interest and other	<u>82,448</u>	<u>66,659</u>
Total revenue	6,699,097	6,671,486
<b>Function/Program Expenses</b>		
Instruction	3,797,166	3,708,252
Support services	2,164,201	2,155,956
Community services	35,317	28,049
Food services	287,023	300,992
Athletics	140,151	160,024
Interest on long-term debt	11,874	20,564
Depreciation (unallocated)	<u>128,575</u>	<u>127,981</u>
Total expenses	<u>6,564,307</u>	<u>6,501,818</u>
Decrease in net assets	<u>\$ 134,790</u>	<u>\$ 169,668</u>

## COLON COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED June 30, 2008

As reported in the statement of activities, the cost of all governmental activities this year was \$6,564,307. Certain activities were partially funded from those who benefited from the programs \$(245,792) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(852,441). We paid for the remaining "public benefit" portion of our governmental activities with \$805,486 in taxes, \$4,712,930 is State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$134,790. Key reasons for the change in net assets were capitalizable expenditures and the repayment of note principal. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

#### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$948,924, which is an increase of \$63,431 from last year. In the General Fund, our principal operating fund, the fund balance increased \$58,785 to \$941,830.

Our Food Service Fund fund balance increased \$4,646 to \$7,094.

Our Athletic Fund is maintained at a zero fund balance and was supported by transfers of \$107,410 from the General Fund.

COLON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased by \$193,289, to better reflect state per student foundation funding, adjustments to categorical funding and various grant programs. Actual revenues were under final budgeted revenues by \$111,288. This was primarily due to expenditure driven grant revenues which have been carried over to the next year.

Budgeted expenditures were increased by \$305,612 to better reflect increased revenues for grant programs. Actual expenditures ended the year under the final budget by \$280,884. This was primarily due to cost saving plans implemented during the year.

**Capital Asset and Debt Administration**

Capital Assets

At June 30, 2008, the School District had \$4,687,722 invested in a broad range of capital assets including land, buildings, buses and equipment. This amount represents a net increase (including additions and disposals) of \$47,644 from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 138,000	\$ 138,000
Buildings and improvements	2,831,546	2,831,546
Buses and other vehicles	1,010,821	963,177
Furniture and equipment	<u>707,355</u>	<u>707,355</u>
Total capital assets	4,687,722	4,640,078
Less accumulated depreciation	<u>3,451,391</u>	<u>3,356,962</u>
Net capital assets	<u>\$ 1,236,331</u>	<u>\$ 1,283,116</u>

COLON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

Debt

At the end of this year, the School District had long-term debt obligations totaling \$274,273 outstanding versus \$391,360 in the previous year - a change of 30 percent. The debt obligations consisted of the following:

	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 40,224	\$ 40,224
Notes payable	226,549	336,136
Severance pay agreements	<u>7,500</u>	<u>15,000</u>
	<u>\$ 274,273</u>	<u>\$ 391,360</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 400 Dallas Street, Colon, MI 49040.

COLON COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 640,419
Accounts receivable	18,617
Taxes receivable (net)	-
Due from other governmental units	1,038,091
Prepaid expenses	32,000
Inventories	<u>27,886</u>
Total current assets	1,757,013
Noncurrent Assets:	
Capital assets	4,687,722
Less: accumulated depreciation	<u>3,451,391</u>
Total noncurrent assets	<u>1,236,331</u>
Total assets	2,993,344
<u>LIABILITIES</u>	
Current Liabilities:	
Short-term note payable	59,246
Accounts payable	82,397
Accrued payroll	311,858
Accrued benefits	176,875
Accrued interest	2,180
Deferred revenue	177,713
Accrued severance pay	7,500
Notes payable, due within one year	111,972
Bonds payable, due within one year	<u>3,791</u>
Total current liabilities	933,532
Noncurrent Liabilities:	
Accrued severance pay	-
Notes payable	114,577
Bonds payable	<u>36,433</u>
Total noncurrent liabilities	<u>151,010</u>
Total liabilities	1,084,542
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	969,558
Unrestricted	<u>939,244</u>
Total net assets	<u>\$ 1,908,802</u>

See Notes to Financial Statements

COLON COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs				
Governmental activities:				
Instruction	\$ 3,797,166	\$ 13,644	\$ 617,096	\$ (3,166,426)
Support services	2,164,201	32,472	59,806	(2,071,923)
Community services	35,317	50,805	-	15,488
Food services	287,023	116,130	175,539	4,646
Athletics	140,151	32,741	-	(107,410)
Interest on long- term debt	11,874	-	-	(11,874)
Depreciation (unallocated)	<u>128,575</u>	<u>-</u>	<u>-</u>	<u>(128,575)</u>
Total Governmental activities	<u>\$ 6,564,307</u>	<u>\$ 245,792</u>	<u>\$ 852,441</u>	(5,466,074)
General revenues:				
Property taxes, levied for general operations				805,486
State aid not restricted to specific purposes				4,712,930
Interest and investment earnings				27,646
Other				<u>54,802</u>
Total general revenues				<u>5,600,864</u>
Change in Net Assets				134,790
Net Assets - Beginning of year				<u>1,774,012</u>
Net Assets - End of year				<u>\$ 1,908,802</u>

See Notes to Financial Statements

COLON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 628,017	\$ 12,402	\$ 640,419
Accounts receivable	18,617	-	18,617
Due from other governmental units	1,038,091	-	1,038,091
Due from other funds	39,317	-	39,317
Prepaid expenditures	-	32,000	32,000
Inventories	<u>24,820</u>	<u>3,066</u>	<u>27,886</u>
Total assets	<u>\$ 1,748,862</u>	<u>\$ 47,468</u>	<u>\$ 1,796,330</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Short-term note payable	\$ 59,246	\$ -	\$ 59,246
Accounts payable	81,340	1,057	82,397
Accrued payroll	311,858	-	311,858
Accrued benefits	176,875	-	176,875
Due to other funds	-	39,317	39,317
Deferred revenue	<u>177,713</u>	<u>-</u>	<u>177,713</u>
Total liabilities	807,032	40,374	847,406
Fund Balances:			
Reserved:			
Inventories	24,820	-	24,820
Unreserved:			
Designated for school bus	85,000	-	85,000
Undesignated	<u>832,010</u>	<u>7,094</u>	<u>839,104</u>
Total fund balances	<u>941,830</u>	<u>7,094</u>	<u>948,924</u>
Total liabilities and fund balances	<u>\$ 1,748,862</u>	<u>\$ 47,468</u>	<u>\$ 1,796,330</u>

See Notes to Financial Statements

COLON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total Fund Balances - Governmental Funds \$ 948,924

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds.

The cost of the capital assets is 4,687,722

Accumulated depreciation is (3,451,391)

Total 1,236,331

Long-term liabilities are not due and payable in the  
current period and are not reported in the funds:

Accrued severance pay (7,500)

Notes payable (226,549)

Bonds payable (40,224)

Accrued interest payable on long-term liabilities is not  
included as a liability in governmental activities (2,180)

Net assets of governmental activities \$ 1,908,802

See Notes to Financial Statements



COLON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED June 30, 2008

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:			
Local sources	\$ 984,855	\$ 148,871	\$ 1,133,726
State sources	5,058,702	22,671	5,081,373
Federal sources	<u>331,130</u>	<u>152,868</u>	<u>483,998</u>
Total revenues	6,374,687	324,410	6,699,097
Expenditures:			
Instruction	3,732,605	-	3,732,605
Supporting services	2,230,040	-	2,230,040
Community services	35,317	-	35,317
Food service	-	287,023	287,023
Athletics	-	140,151	140,151
Debt service			
Principal repayment	109,587	-	109,587
Interest and fiscal charges	28,882	-	28,882
Interdistrict	<u>72,061</u>	<u>-</u>	<u>72,061</u>
Total expenditures	<u>6,208,492</u>	<u>427,174</u>	<u>6,635,666</u>
Excess (deficiency) of revenues over expenditures	166,195	(102,764)	63,431
Other financing sources (uses):			
Operating transfers in	-	107,410	107,410
Operating transfers out	<u>(107,410)</u>	<u>-</u>	<u>(107,410)</u>
Total other financing sources (uses)	<u>(107,410)</u>	<u>107,410</u>	<u>-</u>
Net change in fund balances	58,785	4,046	63,431
Fund balances, July 1	<u>883,045</u>	<u>2,448</u>	<u>885,493</u>
Fund balances, June 30	<u>\$ 941,830</u>	<u>\$ 7,094</u>	<u>\$ 948,924</u>

See Notes to Financial Statements

COLON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

Net change in Fund Balances - Total Governmental Funds	\$	63,431
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Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as  
expenditures; in the statement of activities,  
these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	(128,575)
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Capital outlays	<u>81,790</u>
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Total	(46,785)
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	1,057
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Accrued severance pay is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	7,500
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Repayment of bond principal and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>109,587</u>
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Change in Net Assets of Governmental Activities	<u>\$ 134,790</u>
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See Notes to Financial Statements

COLON COMMUNITY SCHOOLS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

Student  
Activities  
Agency Fund

ASSETS

Cash and cash equivalents

\$ 99,889

LIABILITIES

Due to student groups

\$ 99,889

See Notes to Financial Statements

COLON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Colon Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.



COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the district's financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School district did not have significant expenditure budget variances.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The School District's cash and cash equivalents at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 640,419</u>	<u>\$ 99,889</u>	<u>\$ 740,308</u>

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$1,192,280. Of that amount, \$453,580 was covered by federal depository insurance coverage or secured and \$154,572 was uninsured and uncollateralized. The balance of \$584,128 was invested in bank municipal investment funds which are not categorized by risk.

COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated - Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Capital assets being depreciated:				
Buildings and building improvements	2,831,546	-	-	2,831,546
Buses and other vehicles	963,177	81,790	34,146	1,010,821
Furniture and equipment	<u>707,355</u>	<u>-</u>	<u>-</u>	<u>707,355</u>
Subtotal	4,502,078	81,790	34,146	4,549,722
Accumulated depreciation:				
Buildings and building improvements	2,030,227	50,352	-	2,080,579
Buses and other vehicles	723,380	57,407	34,146	746,641
Furniture and equipment	<u>603,255</u>	<u>20,816</u>	<u>-</u>	<u>624,071</u>
Subtotal	<u>3,356,962</u>	<u>128,575</u>	<u>34,146</u>	<u>3,451,391</u>
Net capital assets being depreciated	<u>1,145,116</u>			<u>1,098,331</u>
Net capital assets	<u>\$ 1,283,116</u>			<u>\$ 1,236,331</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**NOTE 5 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$177,713.

COLON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Other governmental funds	\$ <u>39,317</u>
Interfund Transfers:		
Transfer in:	Transfer Out:	
Other governmental funds	General Fund	\$ <u>107,410</u>

**NOTE 7 - SHORT-TERM DEBT**

Short-term loan in the amount of \$400,000		
Michigan Municipal Bond Authority's		
State Aid Note program, interest at		
3.68%, final payment due August 20, 2008		\$ <u>59,246</u>

**NOTE 8 - LONG-TERM DEBT**

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include accumulated severance pay.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$ 40,224	\$ -	\$ -	\$ 40,224	\$ <u>3,791</u>
Notes	336,136	-	109,587	226,549	\$ <u>111,972</u>
Other					
Obligations	<u>15,000</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>	\$ <u>7,500</u>
Totals	\$ <u>391,360</u>	\$ <u>-</u>	\$ <u>117,087</u>	\$ <u>274,273</u>	

COLON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 8 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 115,763	\$ 7,748	\$ 123,511
2010	118,549	8,753	127,302
2011	4,161	623	4,784
2012	4,359	495	4,854
2013	4,566	217	4,783
Thereafter	<u>19,375</u>	<u>7,981</u>	<u>27,356</u>
	<u>\$ 266,773</u>	<u>\$ 25,817</u>	<u>\$ 292,590</u>

Governmental Activities:

General obligation bonds consist of:

\$68,123 1998 School Improvement Bond  
(Durant Settlement) the annual principal  
and interest payments are to be made  
directly by the State of Michigan \$ 40,224

Notes payable consist of:

Note payable to bank, annual payment of  
\$122,518, including interest at 5.25%,  
final payment due April 4, 2010 \$ 226,549

Other governmental activity long-term obligations include:

Accumulated severance pay payable in annual  
amounts totaling \$7,500 \$ 7,500

COLON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 10- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$490,278, \$542,587, and \$532,205.

**Post Employment Benefits** - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

**REQUIRED SUPPLEMENTAL INFORMATION**

COLON COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 864,999	\$ 991,473	\$ 984,855	\$ (6,618)
State sources	5,128,109	5,086,954	5,058,702	(28,252)
Federal sources	<u>299,578</u>	<u>407,548</u>	<u>331,130</u>	<u>(76,418)</u>
Total revenue	6,292,686	6,485,975	6,374,687	(111,288)
Expenditures:				
Instruction:				
Basic programs	2,929,477	2,979,221	2,882,582	(96,639)
Added needs	830,796	976,616	850,023	(126,593)
Support services:				
Pupil	105,884	88,224	94,788	6,564
Instructional staff	100,483	39,430	62,123	22,693
General administration	237,039	250,041	235,600	(14,441)
School administration	433,916	430,981	432,520	1,539
Business services	183,790	215,532	209,220	(6,312)
Operations and maintenance	569,950	588,284	537,802	(50,482)
Transportation	457,201	558,879	524,194	(34,685)
Technology	130,031	136,540	133,793	(2,747)
Community services	29,989	34,732	35,317	585
Debt service	136,593	136,593	138,469	1,876
Interdistrict	<u>38,615</u>	<u>54,303</u>	<u>72,061</u>	<u>17,758</u>
Total expenditures	<u>6,183,764</u>	<u>6,489,376</u>	<u>6,208,492</u>	<u>(280,884)</u>
Excess (deficiency) of revenues over expenditures	108,922	(3,401)	166,195	169,596
Other financing sources (uses):				
Operating transfers out	<u>(108,922)</u>	<u>(115,701)</u>	<u>(107,410)</u>	<u>(8,291)</u>
Net change in fund balances	-	(119,102)	58,785	177,887
Fund balance, July 1	<u>883,045</u>	<u>883,045</u>	<u>883,045</u>	<u>-</u>
Fund balance, June 30	<u>\$ 883,045</u>	<u>\$ 763,943</u>	<u>\$ 941,830</u>	<u>\$ 177,887</u>



## OTHER SUPPLEMENTAL INFORMATION

COLON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF REVENUES  
YEAR ENDED JUNE 30, 2008

REVENUES

Revenues from local sources	
Current property taxes - operating levy	\$ 805,486
Interest on investments	27,646
Tuition	76,609
Transportation fees	19,298
Rental revenue	1,014
Miscellaneous revenues	<u>54,802</u>
Total revenues from local sources	984,855
Revenues from state sources	
Foundation	4,699,144
Declining enrollment	13,786
At risk	114,306
Special education	183,854
Michigan School readiness	40,800
Durant settlement	<u>6,812</u>
Total revenues from state sources	5,058,702
Revenues from federal sources	
Title I	261,683
Title V LEA Allocation	863
Title IIA Improving Teacher Quality	52,994
Title III Limited English Proficient grant	2,711
Drug-free schools	4,406
Technology literacy	2,117
Other	<u>6,359</u>
Total revenues from federal sources	<u>331,130</u>
Total revenues	<u>\$ 6,374,687</u>

COLON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES  
YEAR ENDED JUNE 30, 2008

INSTRUCTION

Basic Programs

Elementary	
Salaries	\$ 873,574
Benefits	478,094
Purchased services	62,194
Supplies, materials, and other	38,695
Capital outlay	<u>-</u>
Total elementary instruction expenditures	1,452,557

Middle School

Salaries	215,708
Benefits	123,895
Purchased services	11,045
Supplies, materials, and other	<u>178</u>

Total middle school instruction expenditures	350,826
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High School

Salaries	617,776
Benefits	341,509
Purchased services	61,230
Supplies, materials, and other	17,305
Capital outlay	<u>-</u>

Total high school instruction expenditures	1,037,820
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Pre-School

Salaries	26,396
Benefits	13,165
Purchased services	1,429
Supplies, materials, and other	<u>389</u>

Total pre-school instruction expenditures	<u>41,379</u>
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Total basic programs	2,882,582
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COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

INSTRUCTION - Continued

Added Needs

Special education

Salaries	280,219
Benefits	155,984
Purchased services	5,612
Supplies, materials, and other	<u>561</u>

Total special education instruction expenditures	442,376
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Compensatory education

Salaries	232,956
Benefits	109,871
Purchased services	39,428
Supplies, materials, and other	<u>25,392</u>

Total compensatory education instruction expenditures	<u>407,647</u>
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Total added needs	<u>850,023</u>
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Total instruction expenditures	3,732,605
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SUPPORTING SERVICES

Pupil Services

Guidance services

Salaries	52,843
Benefits	25,473
Supplies, materials, and other	<u>-</u>

Total guidance services	78,316
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Other pupil services

Salaries	12,596
Employee benefits	<u>2,256</u>

Total other pupil services	14,852
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Health services

Purchased services	<u>1,620</u>
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Total pupil supporting services expenditures	94,788
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COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Instructional Staff Services

Improvement of instruction

Purchased services	6,999
Supplies, materials, and other	<u>4,403</u>

Total improvement of instruction	11,402
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Library

Salaries	25,369
Benefits	7,476
Purchased services	-
Supplies, materials, and other	<u>5,264</u>

Total library expenditures	38,109
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Supervision direction

Salaries	10,500
Benefits	1,883
Purchased services	-
Supplies, materials, and other	<u>229</u>

Total supervision direction expenditures	<u>12,612</u>
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Total instructional staff services expenditures	62,123
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General Administrative Services

Board of education

Salaries	1,250
Purchased services	29,666
Supplies, materials, and other	<u>4,672</u>

Total board of education expenditures	35,588
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Executive administration

Salaries	121,657
Benefits	66,454
Purchased services	7,181
Supplies, materials, and other	<u>4,720</u>

Total executive administrative expenditures	<u>200,012</u>
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Total general administrative services	235,600
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COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

School Administrative Services

Office of the Principal

Salaries	261,798
Benefits	151,992
Purchased services	14,702
Supplies, materials, and other	<u>4,028</u>

Total school administrative services 432,520

Business Services

Fiscal charges

Salaries	63,132
Benefits	34,677
Purchased services	63,613
Supplies, materials, and other	<u>3,000</u>

Total fiscal business services 164,422

Other Business Services

Purchased services	19,214
Supplies, materials, and other	<u>25,584</u>

Total other business services 44,798

Total business services 209,220

Operation and Maintenance

Operation and maintenance of plant

Salaries	42,852
Benefits	32,704
Purchased services	324,555
Supplies, materials, and other	135,961
Capital outlay	<u>1,730</u>

Total operation and maintenance 537,802

Pupil Transportation

Pupil transportation services

Salaries	169,993
Benefits	115,021
Purchased services	62,877
Supplies, materials, and other	94,513
Capital outlay	<u>81,790</u>

Total pupil transportation 524,194

COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Technology	
Purchased services	80,775
Supplies, materials, and other	14,031
Capital outlay	<u>38,987</u>
Total technology	<u>133,793</u>
Total supporting services expenditures	2,230,040

COMMUNITY SERVICE

Daycare Services	
Salaries	22,702
Benefits	6,175
Purchased services	5,511
Supplies, materials, and other	<u>929</u>
Total community services	35,317

OTHER DISTRICTS

Tuition	70,604
Other payments	<u>1,457</u>
Total other districts	72,061

DEBT SERVICES

Principal payments	109,587
Interest and fiscal charges	<u>28,882</u>
Total debt services	<u>138,469</u>

Total operating expenditures	<u><u>\$ 6,208,492</u></u>
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COLON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 382	\$ 12,020	\$ 12,402
Due from other funds	-	-	-
Prepaid expenditures	32,000	-	32,000
Inventory	<u>3,066</u>	<u>-</u>	<u>3,066</u>
Total assets	<u>\$ 35,448</u>	<u>\$ 12,020</u>	<u>\$ 47,468</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 874	\$ 183	\$ 1,057
Due to other funds	<u>27,480</u>	<u>11,837</u>	<u>39,317</u>
Total liabilities	28,354	12,020	40,374
Fund balances:			
Unreserved:			
Undesignated	<u>7,094</u>	<u>-</u>	<u>7,094</u>
Total liabilities and fund balances	<u>\$ 35,448</u>	<u>\$ 12,020</u>	<u>\$ 47,468</u>



COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
Revenues:			
Local sources	\$ 116,130	\$ 32,741	\$ 148,871
State sources	22,671	-	22,671
Federal sources	<u>152,868</u>	<u>-</u>	<u>152,868</u>
Total revenues	291,669	32,741	324,410
Expenditures:			
Food services	287,023	-	287,023
Athletics	<u>-</u>	<u>140,151</u>	<u>140,151</u>
Total expenditures	<u>287,023</u>	<u>140,151</u>	<u>427,174</u>
Excess (deficiency) of revenues over expenditures	4,646	(107,410)	(102,764)
Other financing sources:			
Operating transfers in	<u>-</u>	<u>107,410</u>	<u>107,410</u>
Net change in fund balances	4,646	-	4,646
Fund balances, July 1	<u>2,448</u>	<u>-</u>	<u>2,448</u>
Fund balances, June 30	<u>\$ 7,094</u>	<u>\$ -</u>	<u>\$ 7,094</u>

COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 FOOD SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenues:			
Local sources	\$ 116,815	\$ 116,130	\$ (685)
State sources	18,804	22,671	3,867
Federal sources	<u>158,721</u>	<u>152,868</u>	<u>(5,853)</u>
Total revenues	294,340	291,669	(2,671)
Expenditures:			
Salaries	9,000	9,112	112
Employee benefits	2,193	3,071	878
Purchased services	138,290	142,707	4,417
Supplies, materials and other expenditures	144,857	132,133	(12,724)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>294,340</u>	<u>287,023</u>	<u>(7,317)</u>
Net change in fund balances	-	4,646	4,646
Fund balance, July 1	<u>2,448</u>	<u>2,448</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,448</u>	<u>\$ 7,094</u>	<u>\$ 4,646</u>

COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

ATHLETIC FUND

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 32,741	\$ 32,741	\$ -
Expenditures:			
Salaries	83,765	83,421	(344)
Employee benefits	28,261	19,949	(8,312)
Purchased services	24,223	24,789	566
Supplies, materials and other expenditures	12,193	11,992	(201)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>148,442</u>	<u>140,151</u>	<u>(8,291)</u>
Excess (deficiency) of revenues over expenditures	(115,701)	(107,410)	8,291
Other financing sources:			
Operating transfers in	<u>115,701</u>	<u>107,410</u>	<u>(8,291)</u>
Net change in fund balances	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STUDENT ACTIVITIES AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2008

	Balances <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2008</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>92,722</u>	\$ <u>172,233</u>	\$ <u>165,066</u>	\$ <u>99,889</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>92,722</u>	\$ <u>172,233</u>	\$ <u>165,066</u>	\$ <u>99,889</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL  
STATEMENTS PERFORMED IN OF ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Colon Community Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colon Community Schools as of and for the year ended June 30, 2008, which collectively comprise Colon Community Schools' basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Colon Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Colon Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Colon Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Michael R. Wilson, CPA

Frank L. Simms, CPA

Jerrol T. Norman (1941-1982)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Colon Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Norman J. Paulson, P.C.*

October 30, 2008





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## AUDIT-RELATED COMMUNICATIONS

To the Board of Education  
Colon Community Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Colon Community Schools (the "School District") for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Janel T. Norman (1941-1982)

## Internal Controls

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

We consider the following deficiencies to be a *material weakness* in internal controls:

*None Noted*

We consider the following deficiencies to be significant deficiencies in internal control:

*None Noted*

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 12, 2008.

## Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Colon Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Colon Community Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

#### Depreciation

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

#### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### No Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

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### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Colon Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Education and management of Colon Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Sincerely,

*Norman J. Paulson, P.C.*

October 30, 2008